Performance Based Acquisition Support

Putting the M in contracting

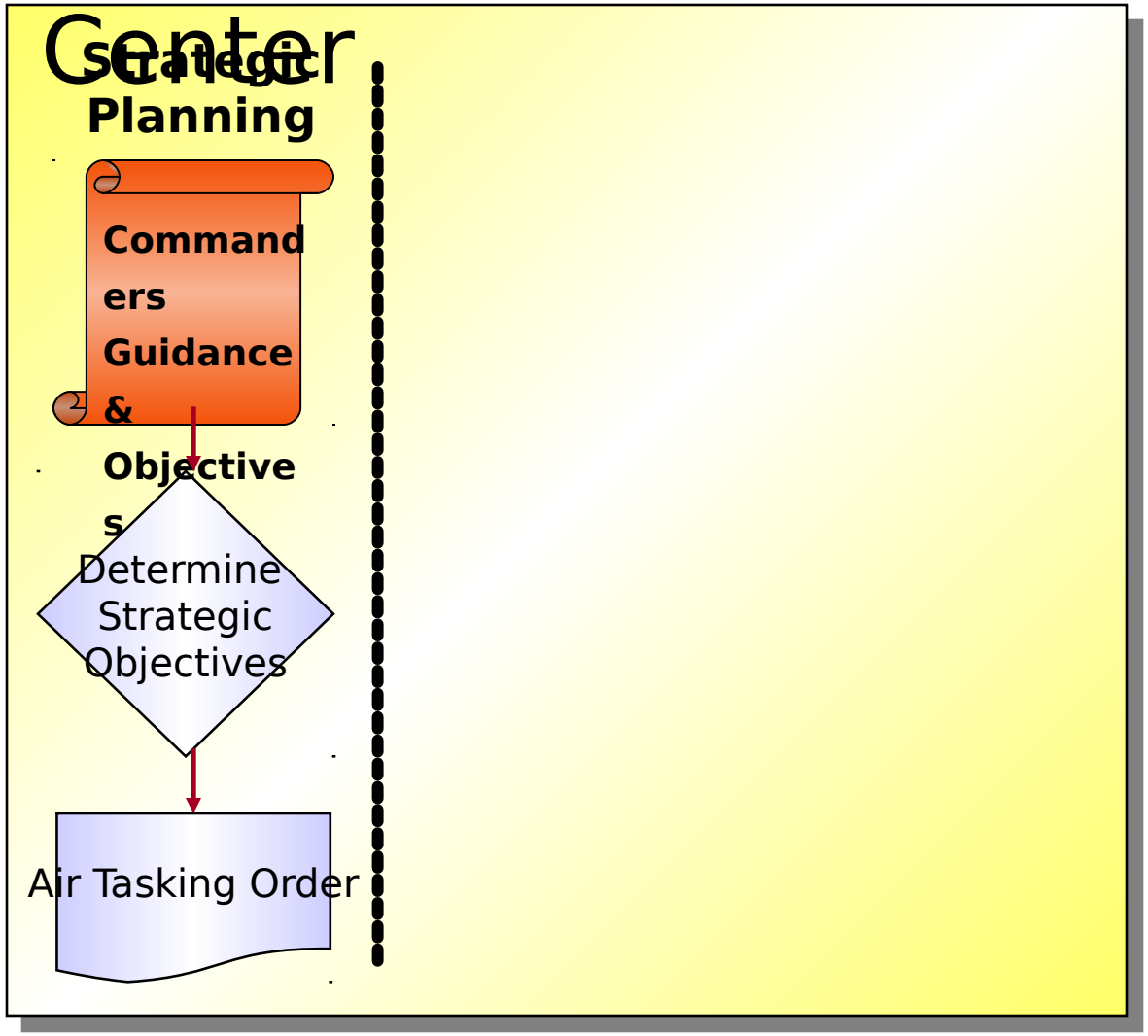
Building a Performance Focus for the Warfighter

Lyle Eesley
Center Director for Contracting

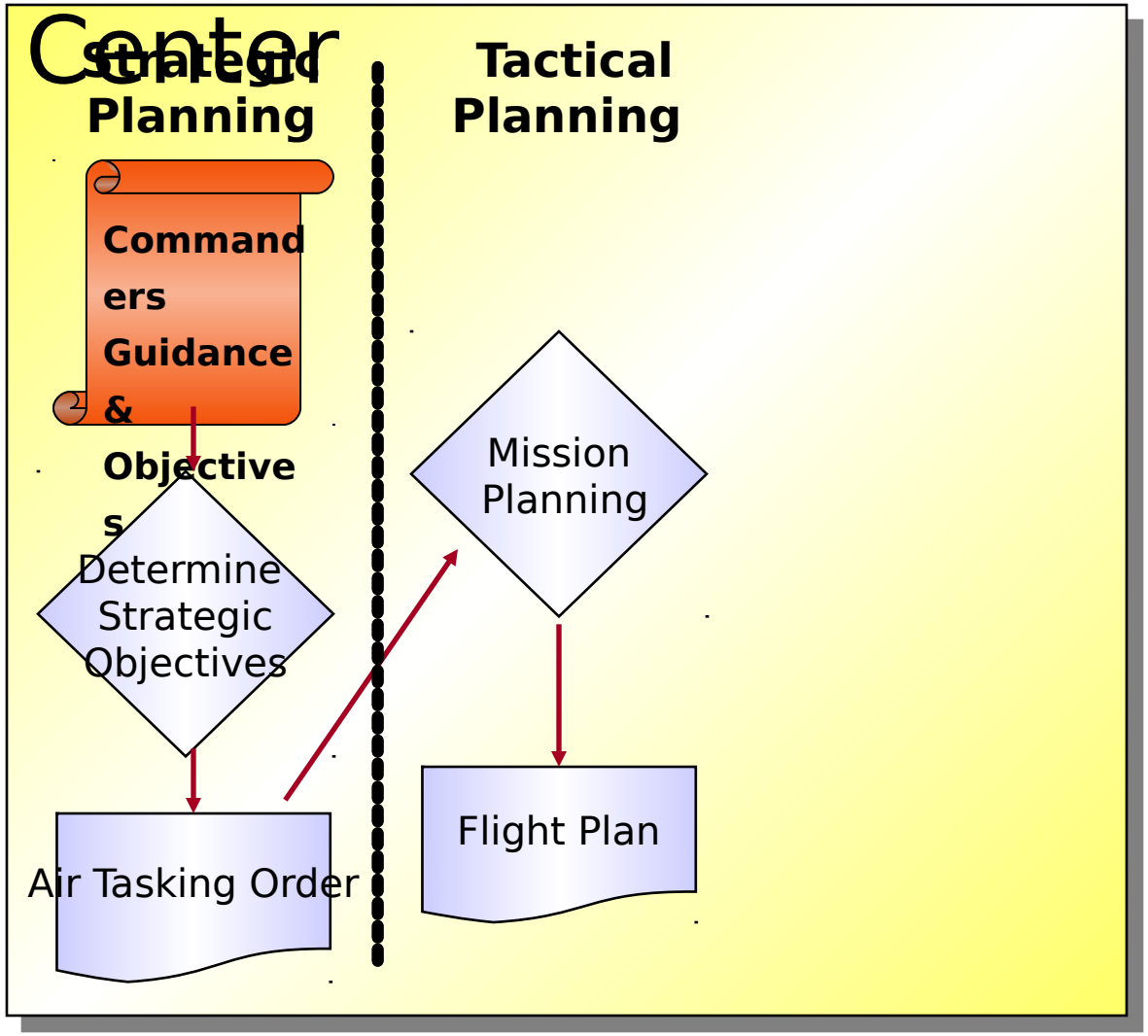
Overview

- Where performance is critical
- Alignment of Support and Mission
- Strategic vision for Mission support

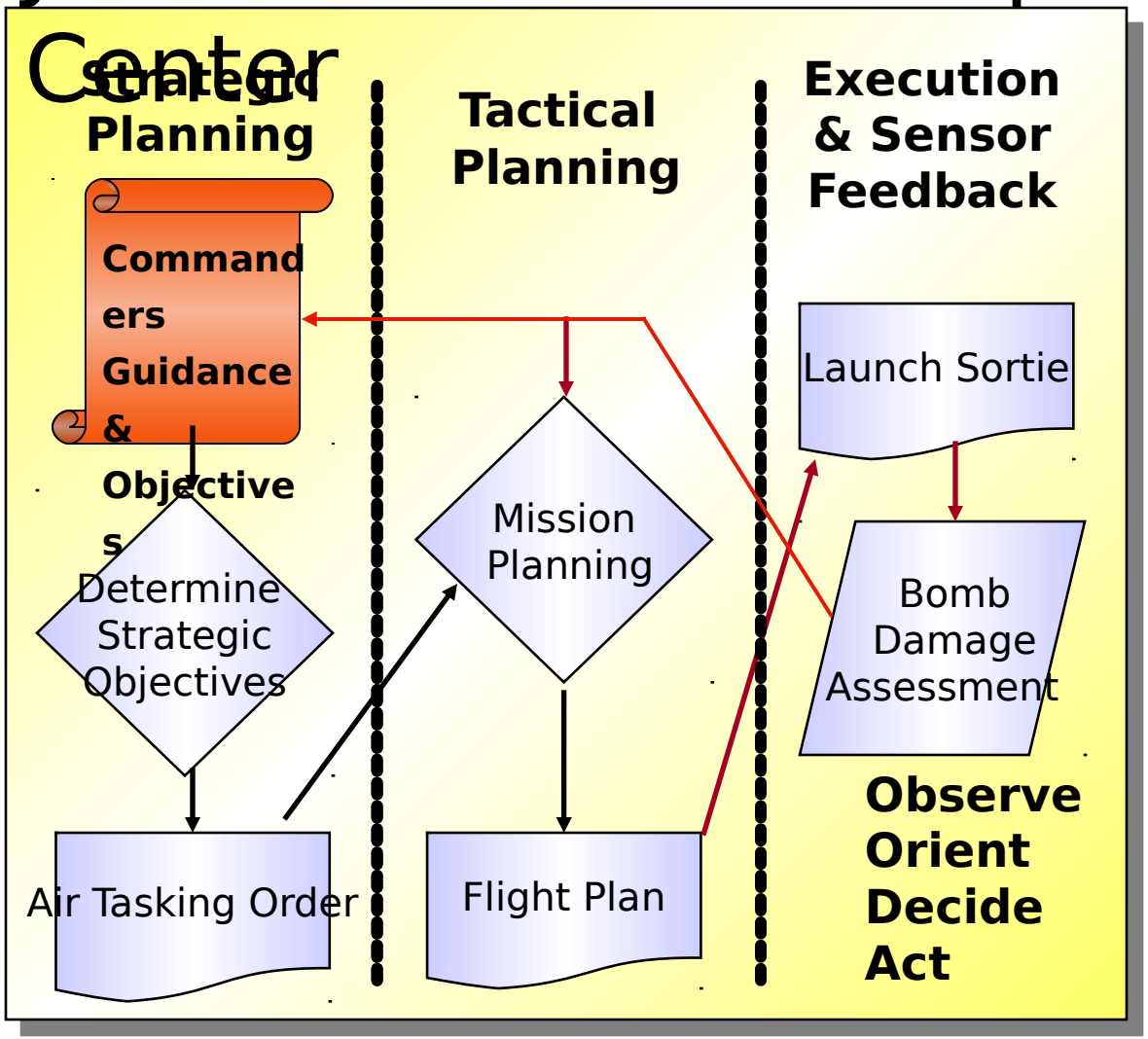
Combat Support
Joint Task Force Air Operation



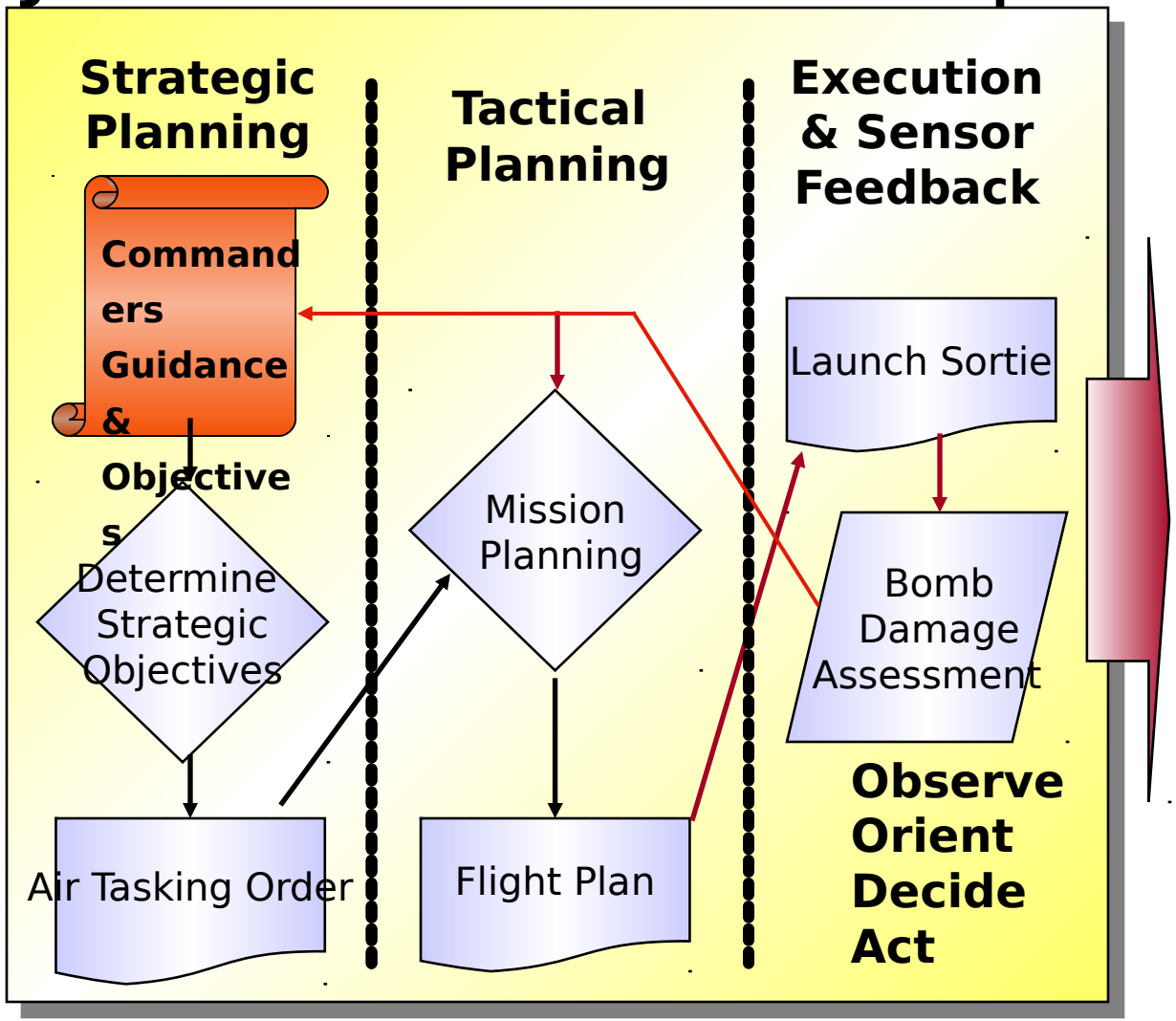
Combat Support
Joint Task Force Air Operation



Combat Support
Joint Task Force Air Operation Center



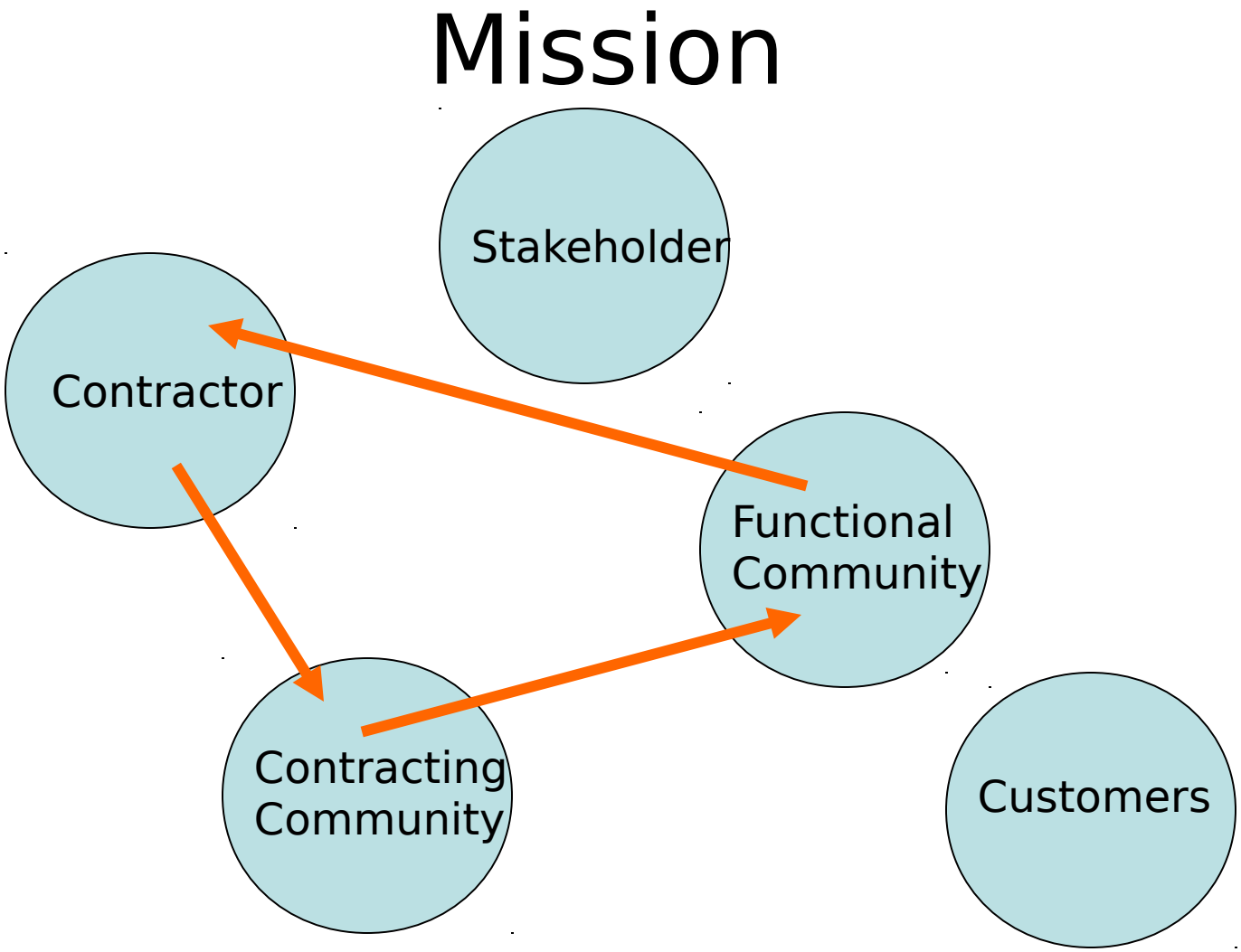
Combat Support
Joint Task Force Air Operation



Keys to Success

- **Leadership**
- **Clear command and control**
  - *Effective communication & feedback systems*
  - *Common goals*
- **Unified effort**
  - *Teamwork facilitated at all levels*
  - *Mission focused*
  - *Objective information*
- **Effective Planning**

Are our Support services always aligned with our Mission ?

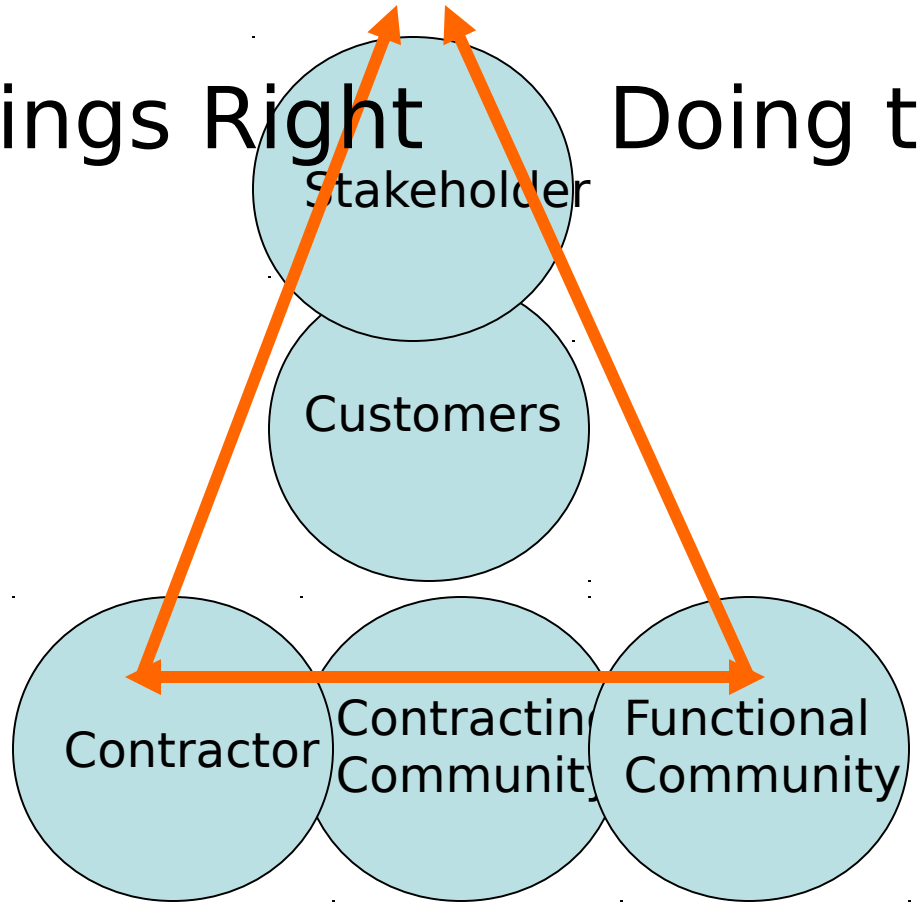


PBMS Requires Alignment with Mission

Mission

Doing things Right

Doing the Right Thi



Doing the Right Things – The FAR Part One Challenge

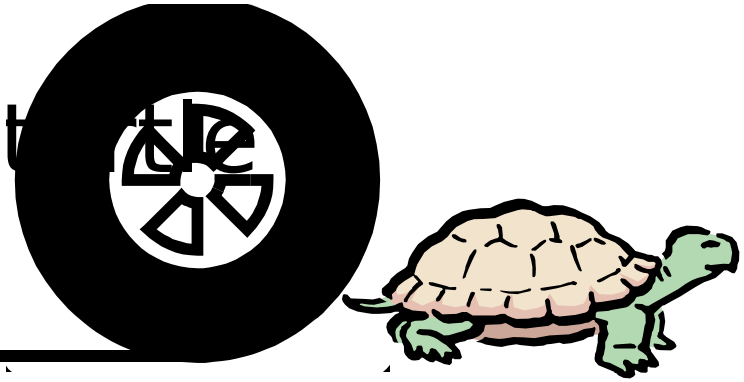
- Vision:
  - All participants are charged with making decisions that deliver the best value product or service to the customer
- Performance Standards
  - Satisfy the customer – cost, quality, and timeliness of delivered product or service
  - Minimize administrative operations cost
  - Conduct business with integrity, fairness and openness
  - Fulfill public policy objectives
- Exercise personal initiative and sound business judgment to provide best value
    - In exercising initiative, actions that ensure the best interests of the government are within your authority unless they are specifically prohibited by law or policy

Survival in a Knowledge Economy

"The winners and losers in the information age will be differentiated by brainpower. It takes 2% of Americans to feed us all, and 5% to make everything we need. Everything else will be service and information technology, and in the world humans and brains will be the key variable."

T.J. Rodgers
Founder of Cypress Semiconductor

Avoid becoming a t[illegible]tle



- The currency in today's economy is knowledge
- Developing superior knowledge as a business advisor requires you know:
  - How your customer defines mission support value
  - Best business practices in the commercial marketplace
  - How to apply best practices in shaping business deals that will support your customers mission objectives
- Requires a Strategic Vision for your customers
- Step away from the "inbox"
  - Focus on total "enterprise" contract needs

Develop Strategic Mission Support Goals

- Strategic support goals provide:
  - Overarching foundation for all acquisition efforts
  - Alignment with stakeholder mission requirements
  - Communicate and connect with mission and people
  - Reflect best commercial practices
  - Measurable to evaluate performance
- Develop implementing strategies to achieve goals
  - Strategies ensure unity of effort and direction
  - Alignment of all acquisitions
- Support Goals provide the “commanders guidance” for assessment, planning and execution phases

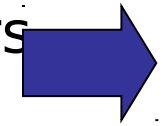
Stakeholder and Customer inputs help shape performance outcomes

Key Stakeholders:

- Commander(s)
- Senior leaders
- Tenants

Key Customers:

- Service Recipients
- CE
- Functionals
- Operations

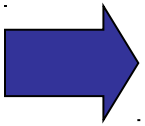


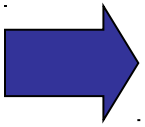
Interview Focus:

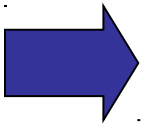
- Strategic Objectives
- Performance priorities
- Mission
- Expectations
- Criteria for Success

Interview Focus

- Desired Outcomes
- Performance Objectives
- Expectations
- Criteria for Success







Shape:

- Performance Objectives
- Strategies
- Metrics

- Performance Outcomes
- Metrics

What's your customer's Vision and expectations for contractor support?

- Service Delivery
- Quality Program
- Commitment to Mission
- Customer Focus
- Process Improvement
- Cost Savings

Government Norm

Complies with requirement

Acceptable

8 to 5

If it's in the PWS Tell me what you want me to do

Deliver to the letter of the contract

Best-In-Class

Delivers innovation and "service with a smile"

Root cause analysis

24/7 if needed

Looks for feedback

Drives new initiatives and best practices

Continually

Your Vision and Support Goals drive the Perform

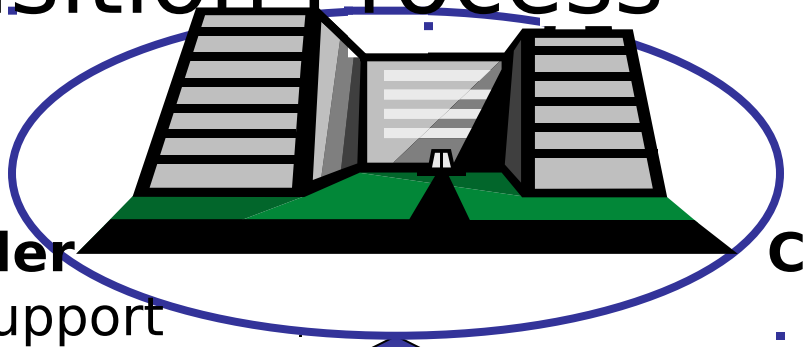
Develop Mission Support Objectives

GOALS: **Performan** **Cost**

Strategies:

- Attract and partner with best-in-class providers
- Identify, measure, and manage outcomes
- Develop our people and processes to achieve business goals

Support Objectives: Foundation for Acquisition Process



Stakeholder
Mission support
Expectations

Customer
Support Delivery
Requirements

Continuously Maintain Alignment

Performance

Costs

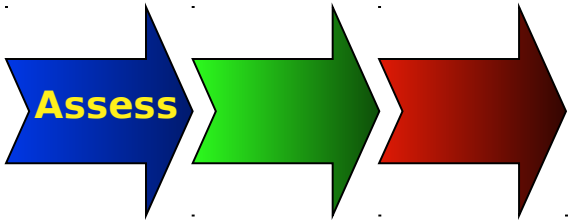
Goal

Support Objectives

Support Strategies

Process steps for delivering PBMS

Strategic Market Research shapes planning



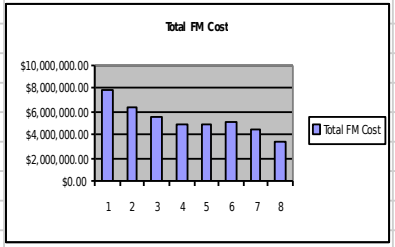
- Commercial sector is facing the similar challenges
- Successful business advisor must continuously stay abreast of current thinking & best practices
  - Dialogue with industry, research trade organizations, etc.
  - Focus on business principles you can apply – there are no silver bullets
  - Strategic direction of the industry
  - Leading service providers
  - Develop effective assessment tools to determine cost and performance levels
- *Will present contract performance, structure, etc. meet the organization's strategic mission support vision, goals & strategies?*

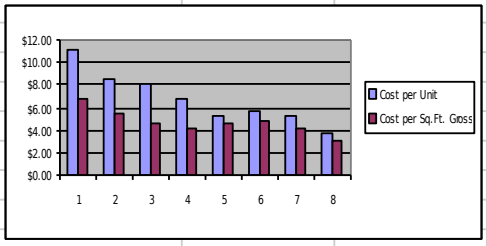
Facility Management Metrics- (Mfg)

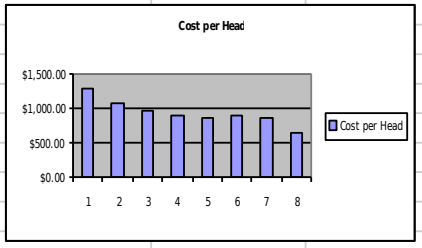
Current Facility Cost Trends

Continuous Improvement Process reduce cost while meeting Customer performance expectations

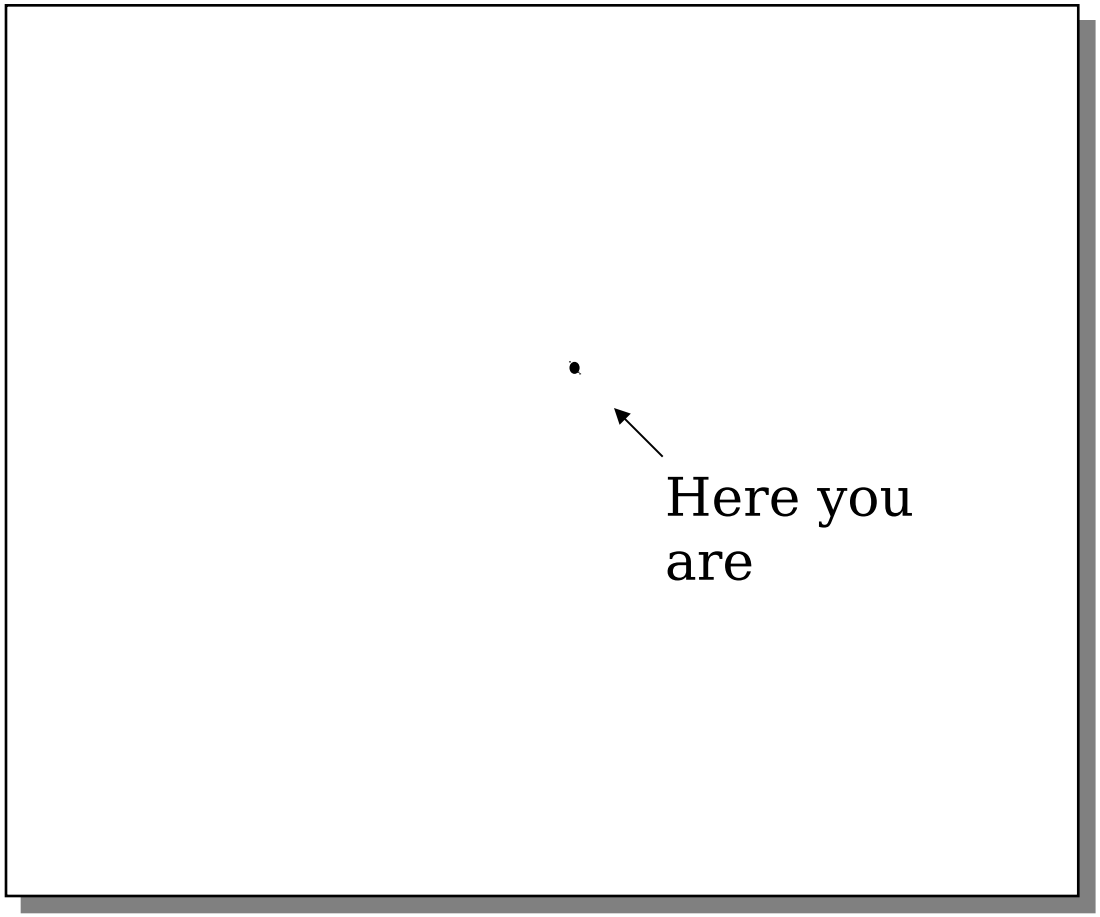
		Q4 FY00	Q1 FY01	Q2 FY01	Q3 FY01	Q4 FY01	Q1 FY02	Q2
Overall	Cost per Unit	$11.02	$8.60	$8.09	$6.66	$5.25	$5.59	$5.17	$3.66
	Cost per Sq.Ft. Gross	$6.70	$5.42	$4.67	$4.22	$4.65	$4.75	$4.17	$3.16
	Cost per Head	$1,285.00	$1,064.00	$971.00	$883.00	$853.00	$883.00	$850.00	$645.0



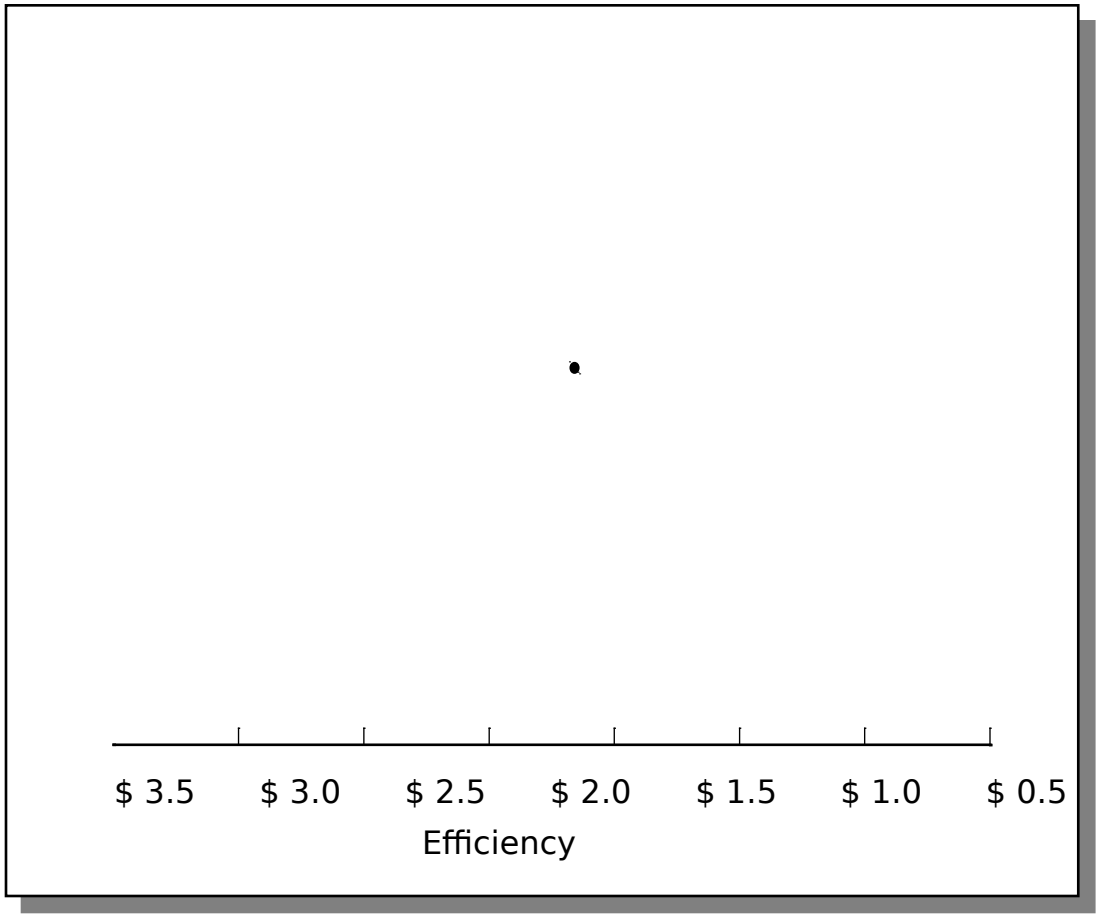




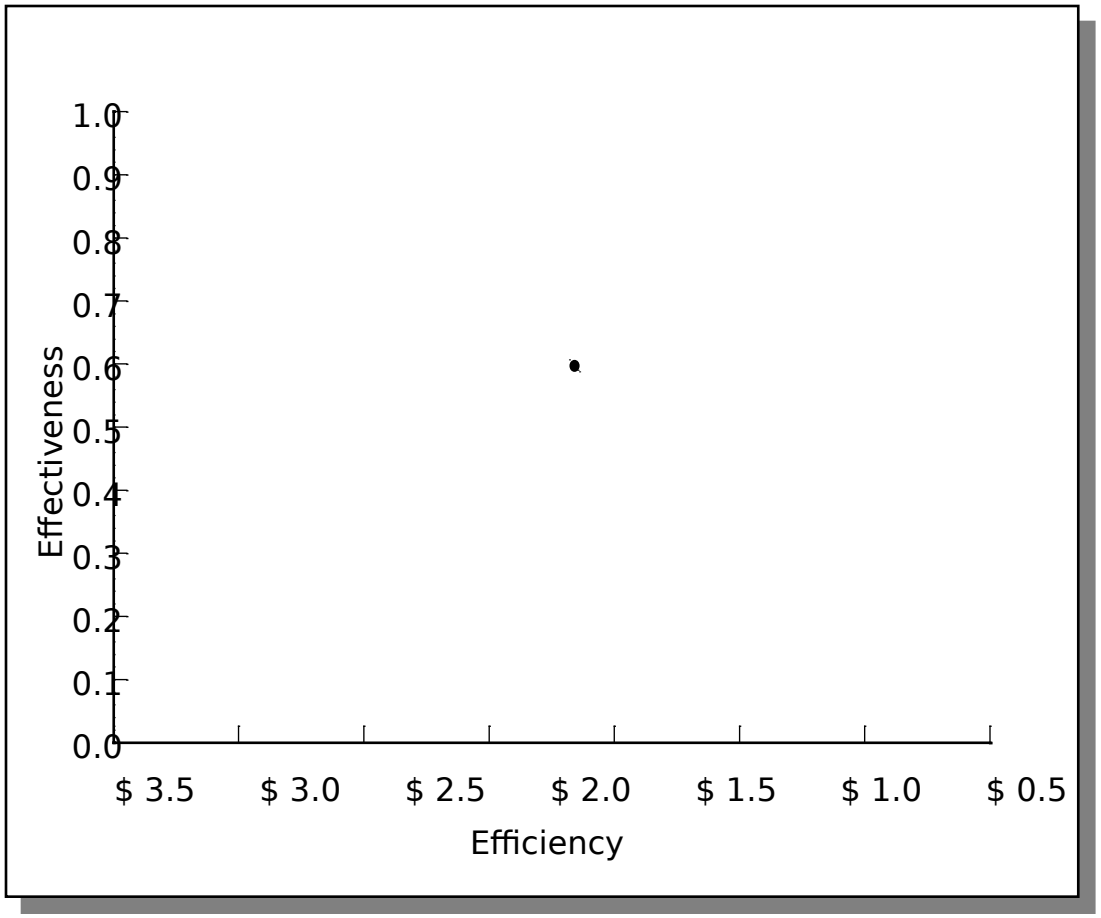
Understand Performance Data



Understand Performance Data

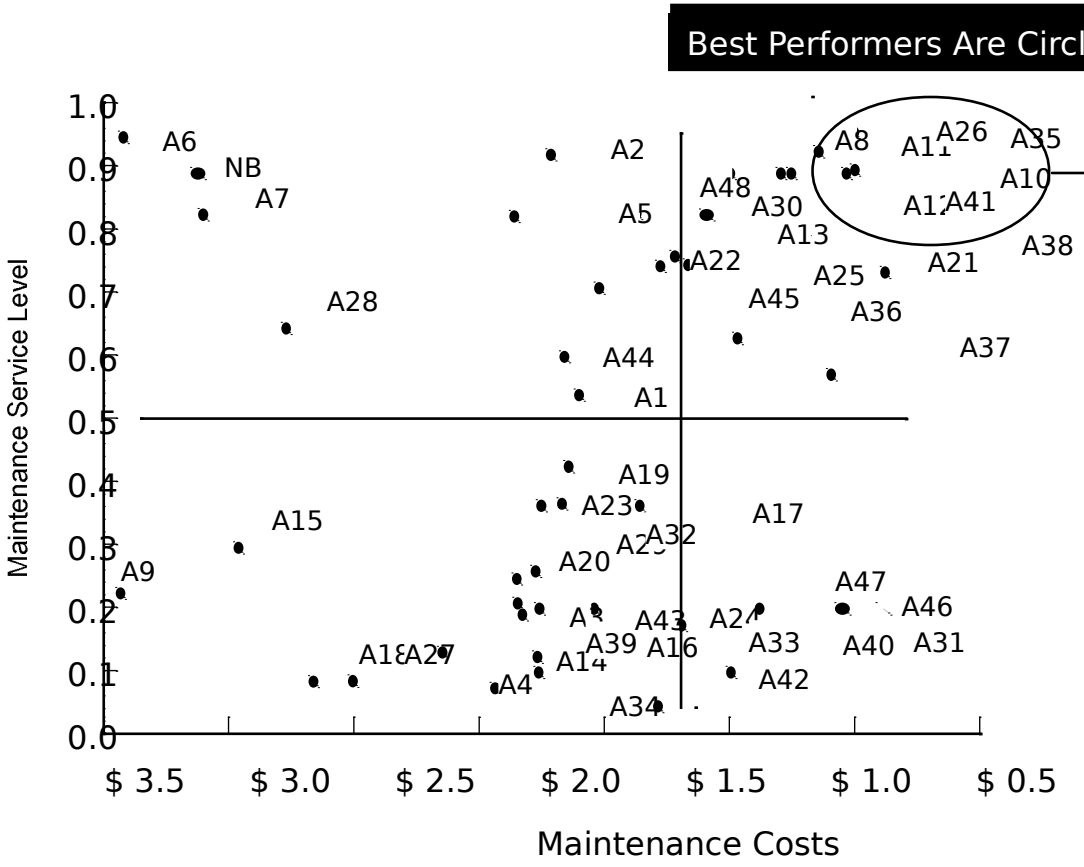


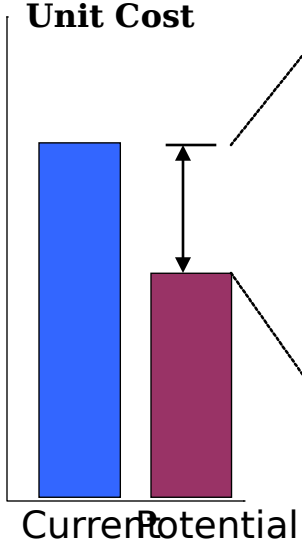
Understand Performance Data



Essential To Identifying Performance Gaps . . .

Administrative Facilities - Maintenance Cost/SF Maintained

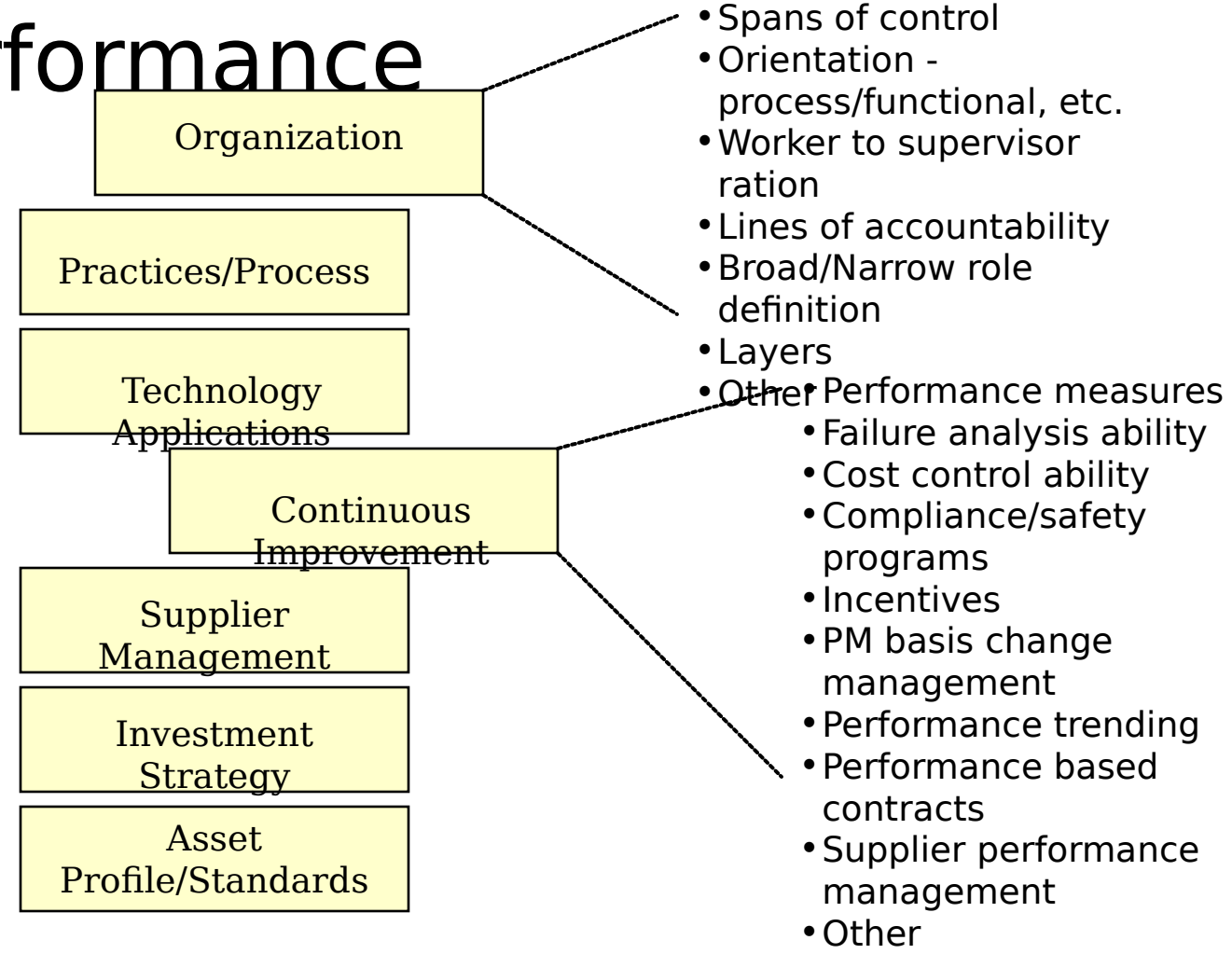




Practices Focus

- Organization
- Processes
- Svc Level Standard
- Technology
- Customer Relations Management
- Culture
- Skills/Experience
- Contract Manageme

Comprehensively Assess Practices That Drive Site Performance



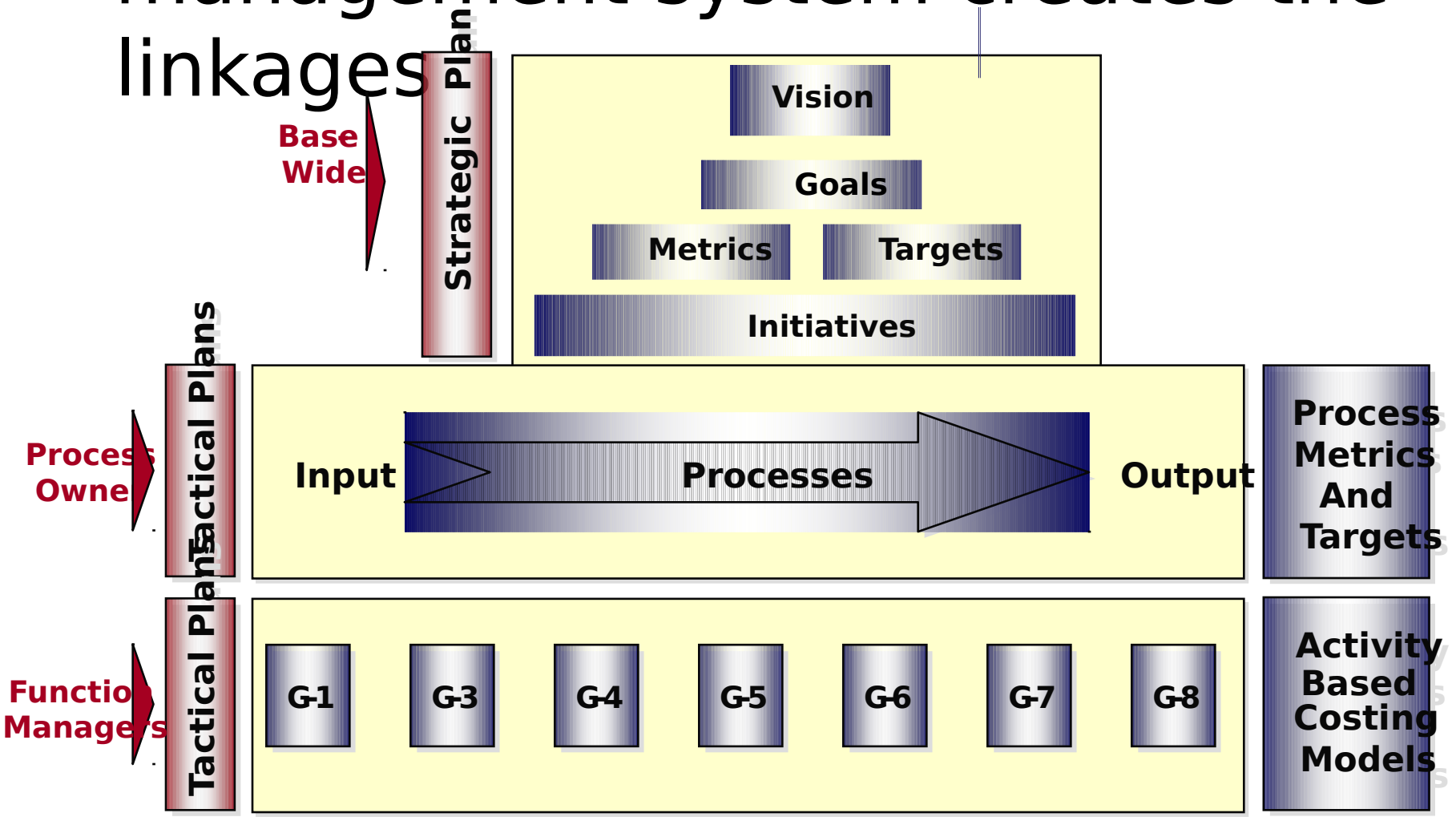
Cost and Performance Management Practic

Marine Corps Air Station, Miramar

Strategic Planning

- An overarching strategic plan was developed for the organization.
  - Addressed all issues facing the Miramar
  - Incorporated high level goals and objectives
- Tactical or operational plans were developed.
  - Linked to the strategic plan
  - Translated strategic initiatives into actionable plans

A cost and performance management system creates the linkages



© 2000 Grant Thornton LLP

Activity Based Costing/Management

- Modeled the entire organization using ABC
  - 170 million dollars in resources
  - Over 2,200 FTEs
  - 15 separate departments

- Built models around major processes
  - Flowed resources to the activities
  - Traced activities to cost objects

Activity Based Costing/Management (Continued)

- Developed performance measures for the processes and outcomes
  - Process measures were leading indicators
  - Outcome measures were lagging indicators

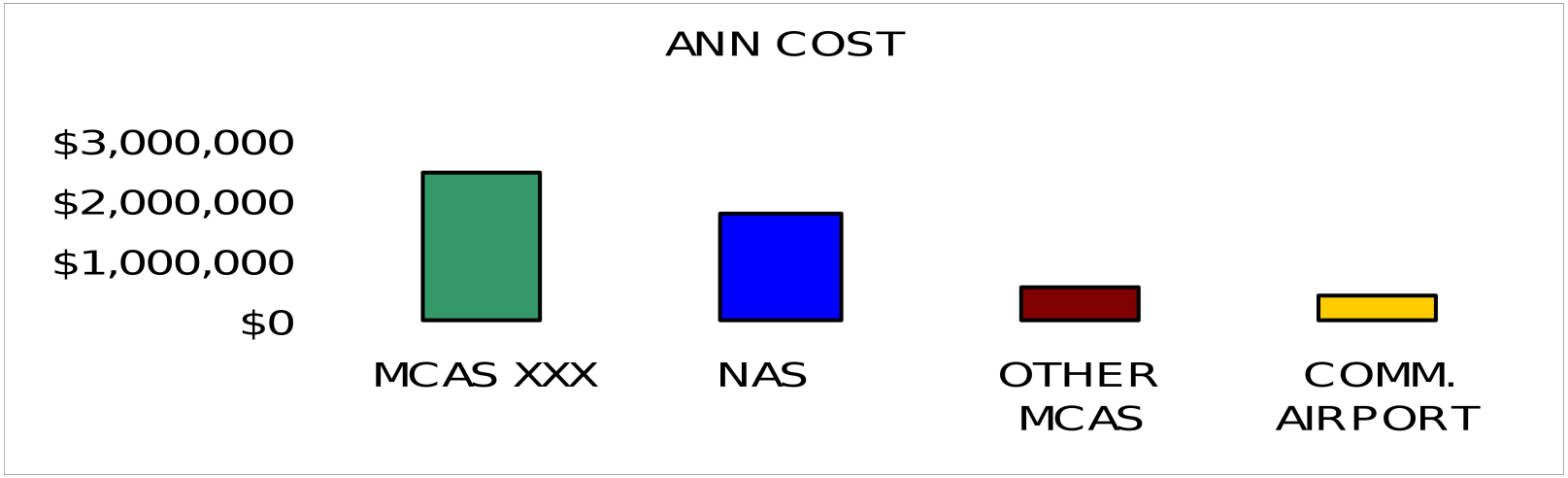
Benchmarked Miramar's Aircraft Fueling Operations

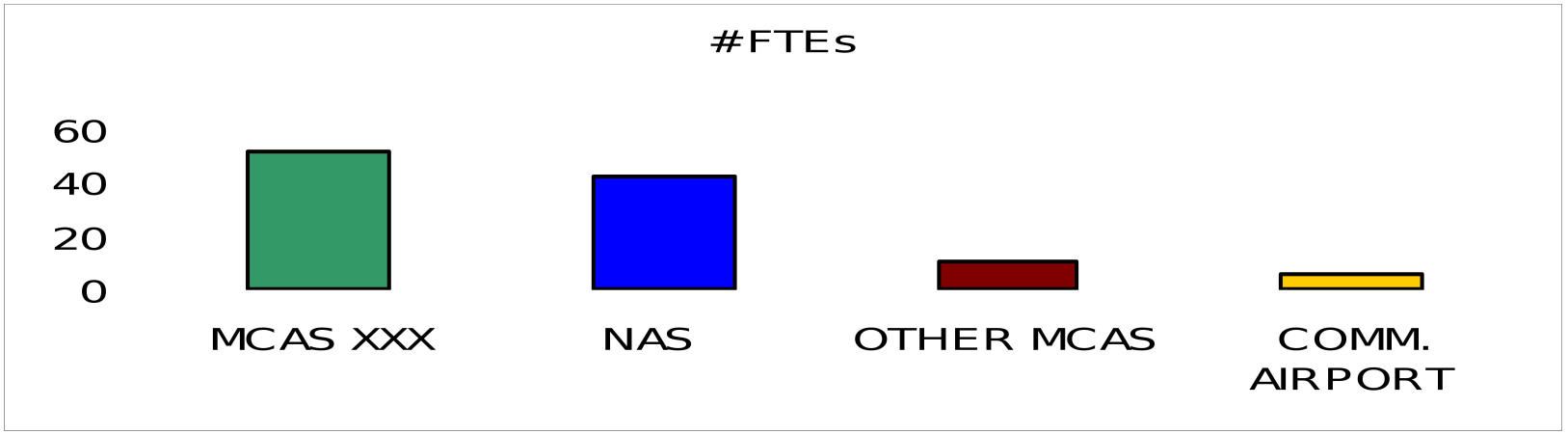
- The following depicts Miramar's fueling division:
  - Provides hot and cold fuel support to operational squadrons aboard MCAS Miramar
  - 52 FTEs and an annual operating budget of $2.5 million
  - Delivers approximately 31 million gallons of fuel per year
  - Mix of both cold and hot fueling operations
  - Average fueling response time was 45-60 minutes

Benchmarking Peer Group

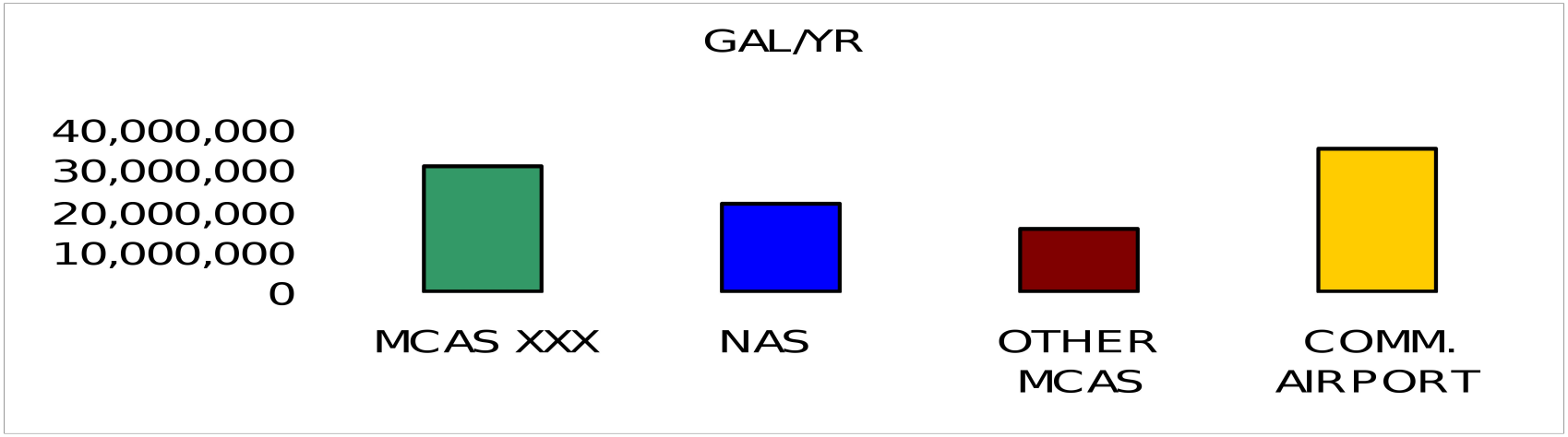
- Identified several benchmarking candidates.
- Looked at both civilian and military operations.
- Evaluated similar processes.
- Benchmarking group included:
  - Commercial airport, Naval Air Station, Other MCAS

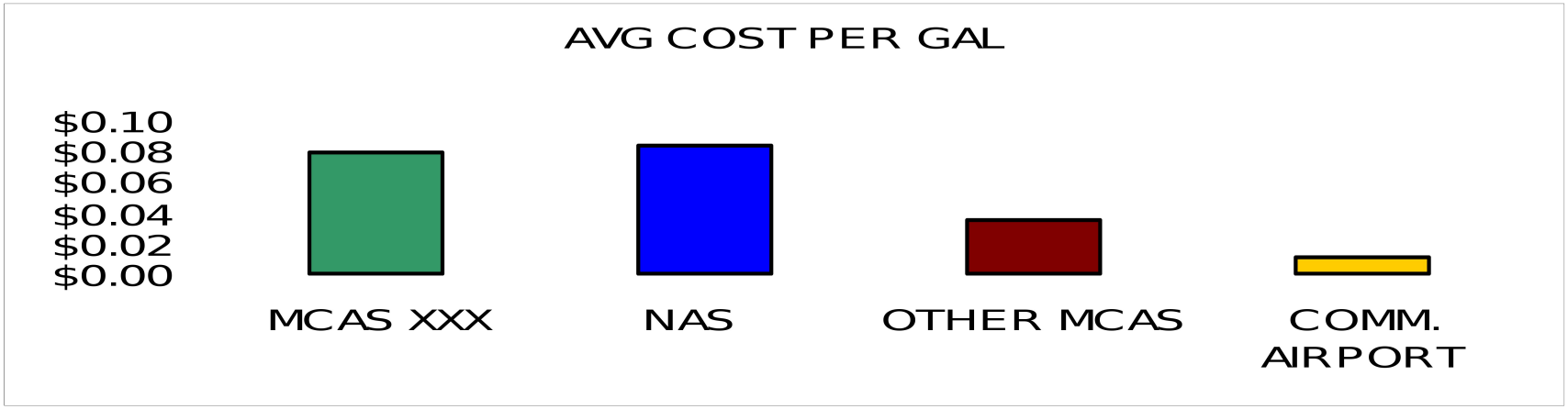
Benchmark Comparisons



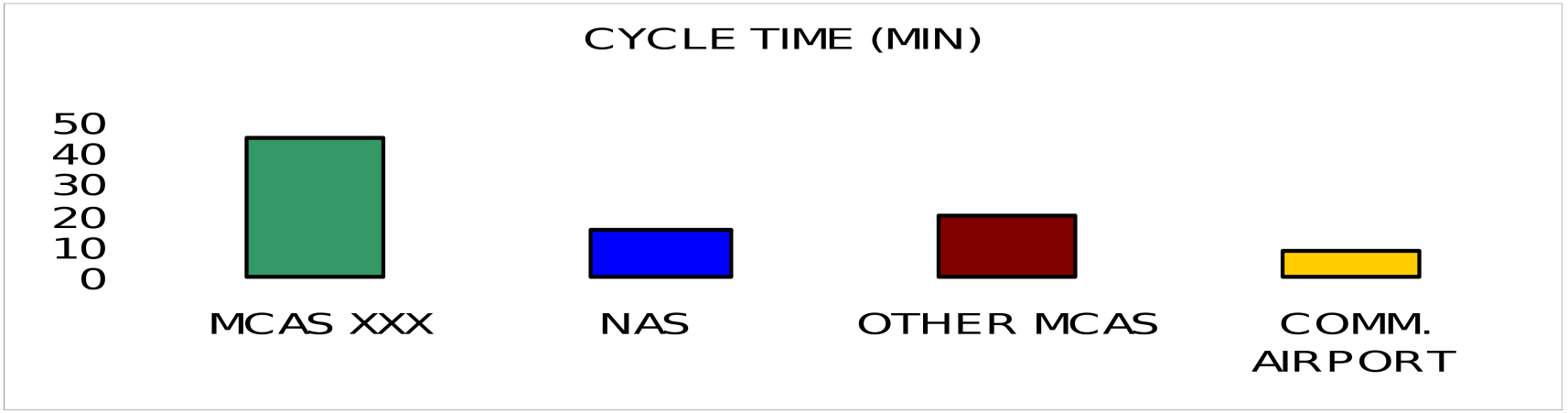


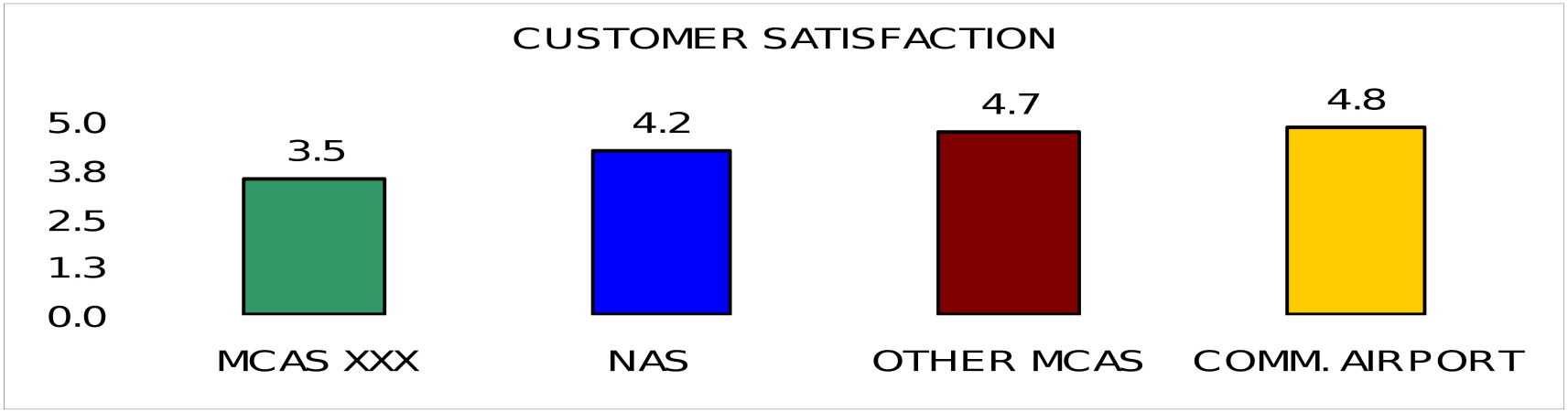
Benchmark Comparisons



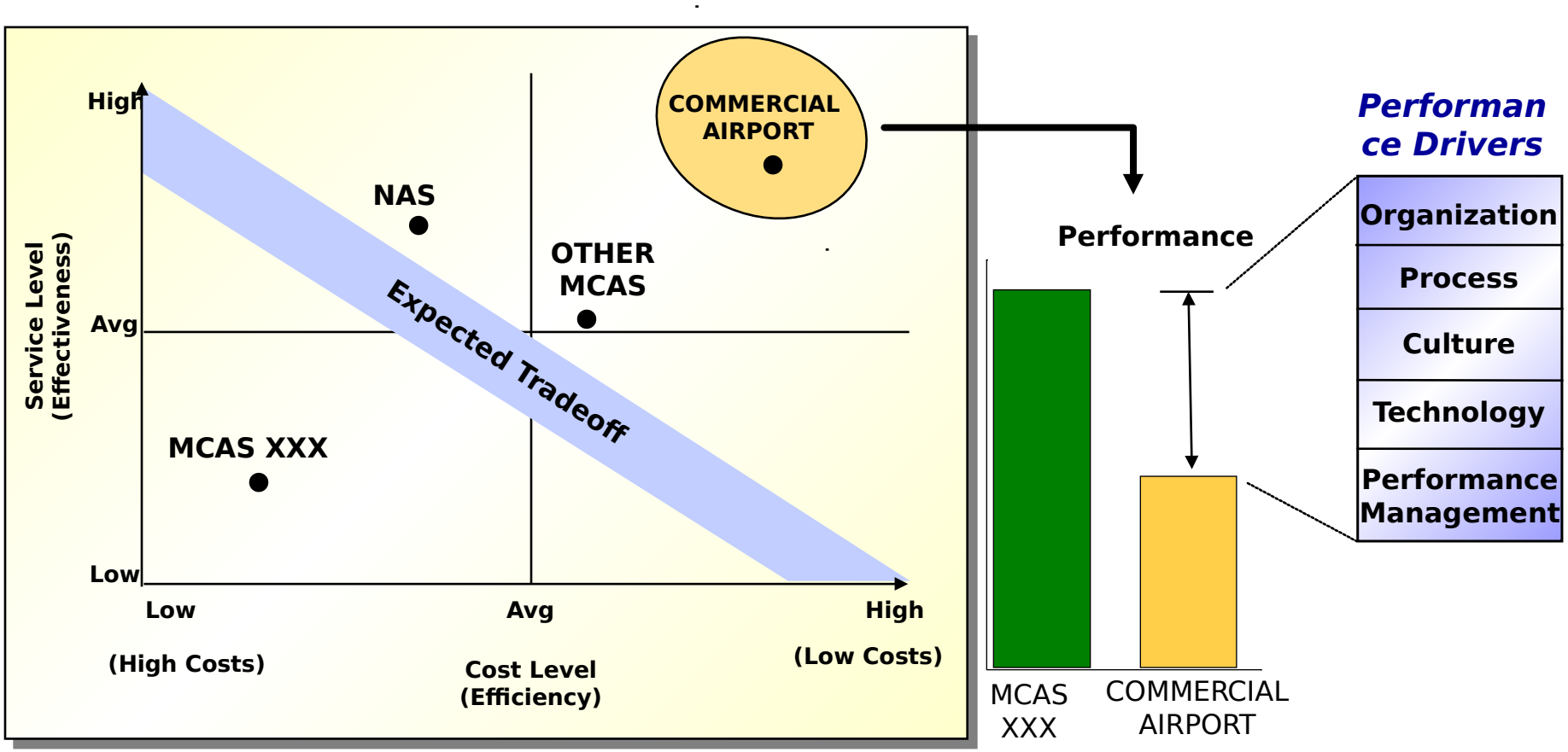


Benchmark Comparisons





Benchmark Results



Best in Class Performance

- The response time to begin a fueling operation was under 10 minutes.
- 6 FTEs dispensed over 35 million gallons of fuel per year.
- The average cost of operations was $400K annually.
- A reported high level of customer satisfaction.

Best in Class Practices

- Implemented automated planning and scheduling systems.
- Pre-staged fuel trucks for predicted demand increases.
- Installed electronic metering and record keeping procedures.
- Augmented the workforce with part time employees for surge operations.

Miramar’s Fueling Operations

- Fuel pits were manned during all hours of airfield operations regardless of demand requirements.
- There was no established communication link between the tower and the fuel center.
- Flight schedules were not maintained in the fuel division.
  - Resulted in inadequate planning and scheduling
  - Sub-optimized the workforce
- Improper mix of truck and pit fueling operations.

Initiatives

- Developed a web based planning and scheduling system.
- Established a direct radio link between the fuel division and the tower.
- Pre-staged fuel trucks and equipment for surge operations.
- Established night shift to fuel all aircraft for following day’s mission.

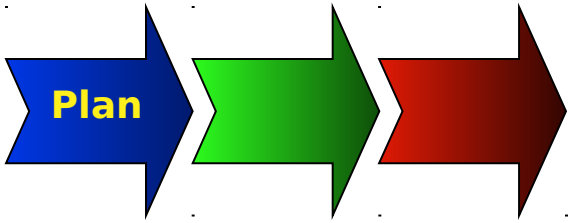
Results

- Reduced the response time down from 45-60 minutes to 25 minutes.
- Decreased the annual cost of operations by $527K or 22%.
- Increased customer satisfaction; or the number of complaints

Process steps for delivering PBMS

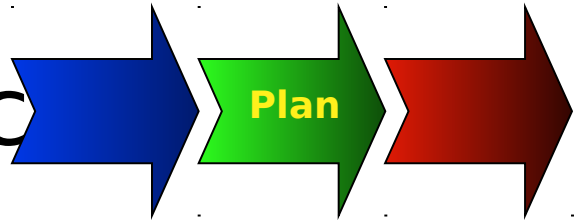
Mission Area Support Strategies
One Size Doesn’t Fit All

Mission Area Support Strategies



- Develop support strategies for specific mission areas
  - Your ***value add*** is ***superior market knowledge***
  - Mission areas should be defined in commercial terms
  - Align Stakeholders' mission needs and Business Goals
- Expand mission area cross-functional teams
  - Adapt best commercial principles & practices
  - Dialogue with service providers & like organizations
  - Assess potential impacts - both internal and external
- Mission area strategy drives specific Value-Based Performance Requirements (VBPR) packages

Value Based Performanc Requirements (VBPR)



- VBPRs integrate all elements of an acquisition into unified package
  - Performance-based or SOO-based requirements focused on outcomes
  - Acquisition approach and type of contract
  - Performance incentives
  - Source Selection approach and evaluation criteria
  - Performance Management Plan
- Must align with Support Goals and Mission Area Support Strategy

Value Based Performance Requirements

Stakeholders

Mission Needs
Expectations
Success Criteria

Customers

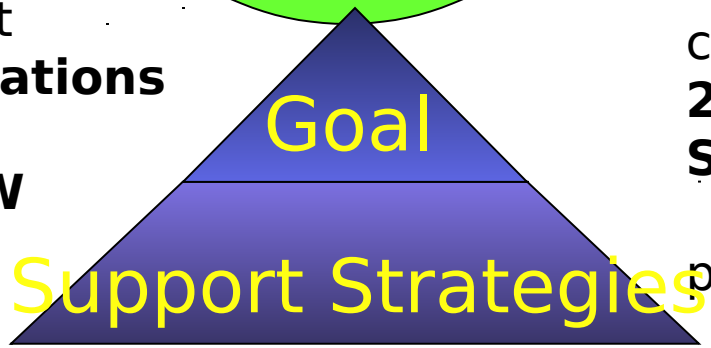
Performance Ne
Expectations
Success Criteria

Market Research

Commercial Practices
Public Sector Best

Policy and Regulations

Past PWS or SOW



The following should be cast together from inputs received:

1. Statement of Work

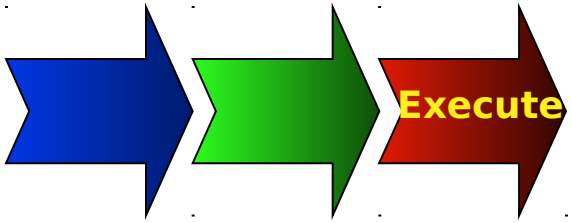
Focused on Mission outcomes
Uses commercial practices
Does not say “HOW”
Sets Expectations clearly

2. Acquisition Strategy

Type of Selection process
Type of contract & Incentives

Process steps for delivering PBMS

Execute and Manage Performance



- Source Selection process
  - Driven by Support Goals
  - Selection team must be familiar with Support Goals

- Performance Management
  - Partnership driven - Contractor(s) and in-house team
  - Track contracts and orders with outside agencies
  - Validate performance received against Support Goals and provide feedback
  - Insure performance aligns with Stakeholder mission performance needs

Key Principle in building effective partnerships

TANSTAAFL – Principle

Key Principle in building effective partnerships

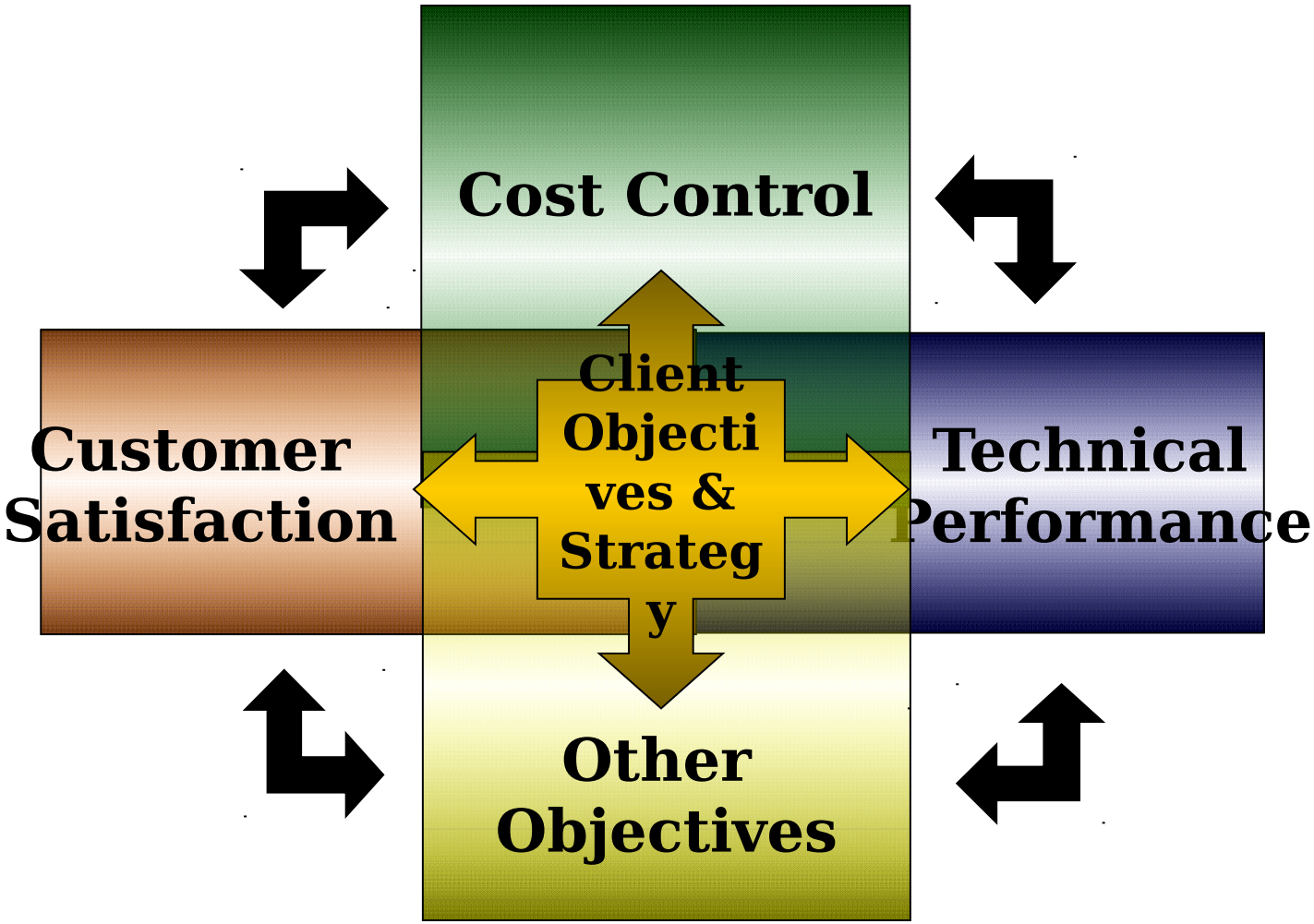
TANSTAAFL

There
Ain’t
No
Such
Thing
As
A
Free
Lunch

Conclusion - PBMS

- Team Effort
- Requires a Culture Shift
- Strategic focus and alignment
- Tailored to support mission outcomes
- Linkage of requirement, incentives, contract and performance assessment ensures that performance aligns with Mission objectives

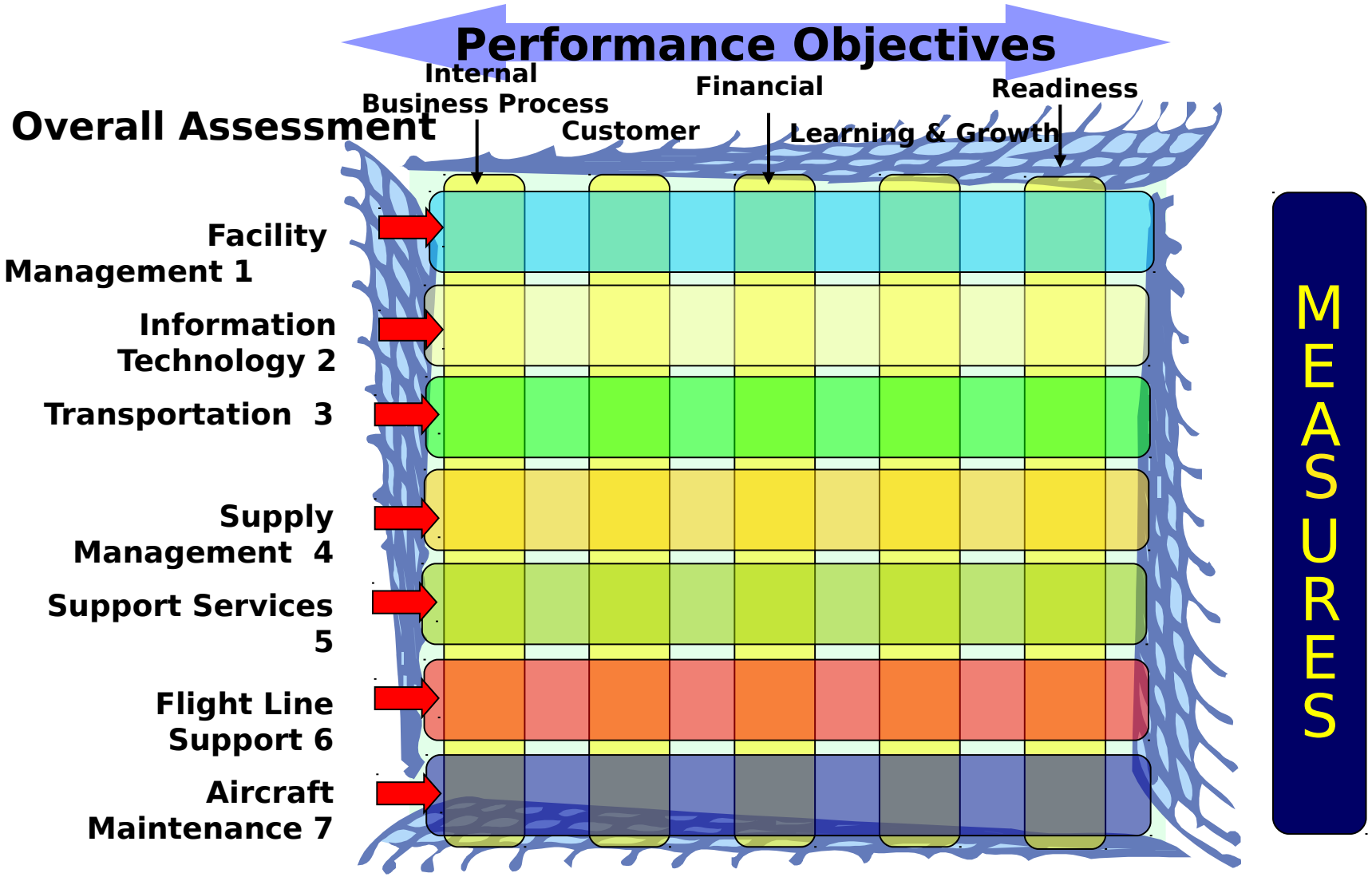
Balanced Scorecard



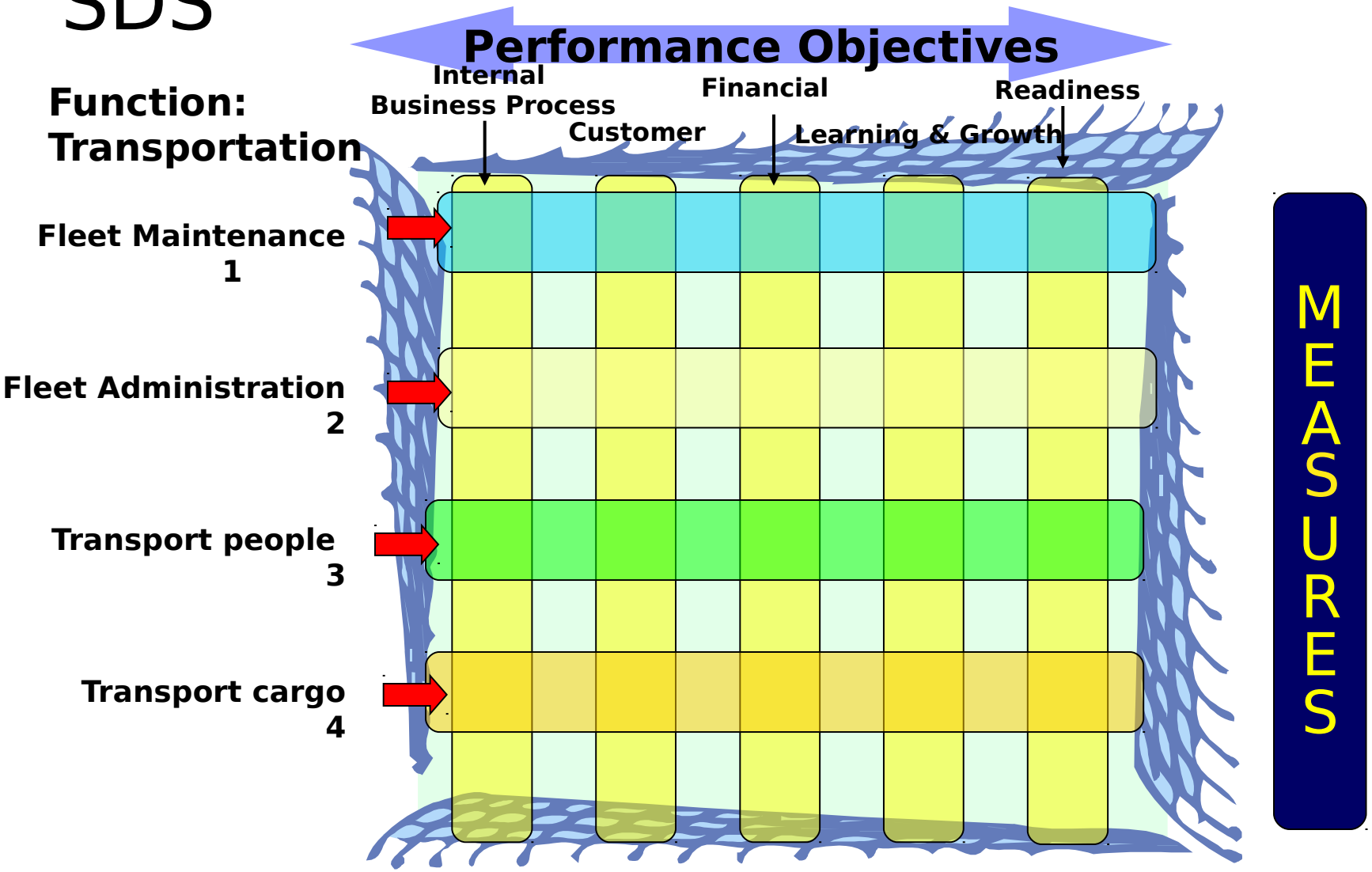
Characteristics of a Scorecard

- Balanced between External and Internal Measures
- Balanced between Outcome Measures(Lag) and Performance Drivers (Lead)
- Balanced between Objective Measures and Subjective Measures
- Translates Mission and Strategy into Actions and Measures

Balanced Scorecard approach to SDS



Balanced Scorecard approach to SDS



Building the Balanced Scorecard

Define the performance objectives for Fleet Maintenance:

Internal Business Process
Deliver a fully operational fleet of vehicles, professional in appearance and maintenance, that meet our customer's mission needs.

Customer Objective:
Delight our warfighters, other clients and Stakeholders through integrated client focus, flexibility, innovation and teamwork.

Financial
Deliver the service within budget targets

Learning and Growth
Enhance and develop your staff to deliver safe, superior support to our client base

Readiness
Meet all mobility taskings to ensure there are no transportations delays and ensure all priority 1 vehicles are fully mission ready

Define key measures

Internal Business Process
Vehicle availability rate

Customer Objective:
Customer satisfaction data on monthly trend chart

Financial
Actual expenses vs budget

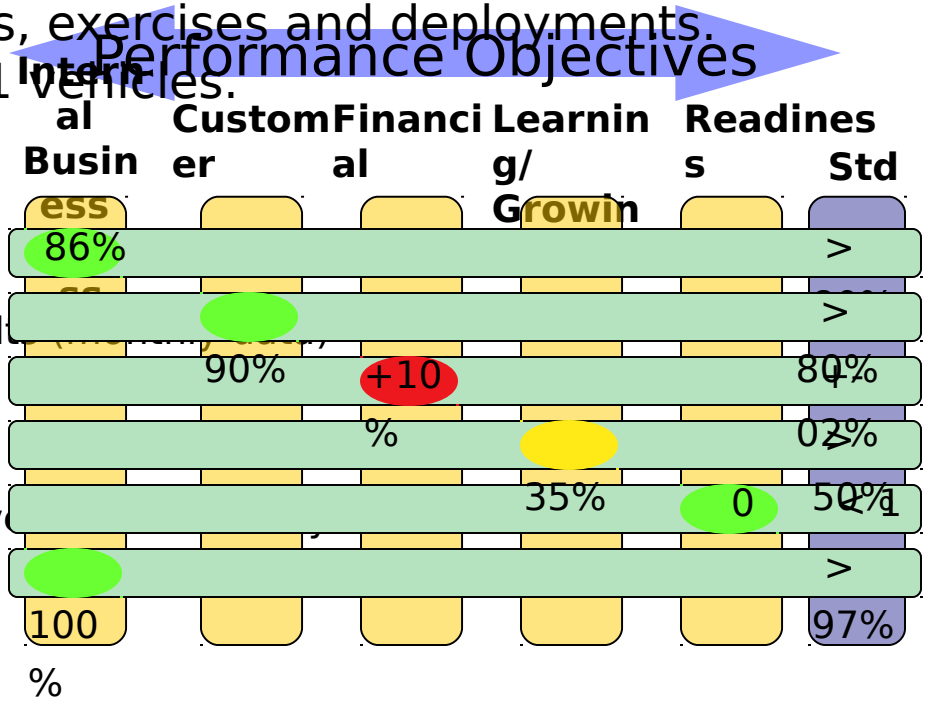
Learning and Growth
% of certified maintenance personnel

Readiness
Deployment delays attributable to vehicle

Balanced Scorecard SDS

Fleet Maintenance: Includes all activities associated with Preventive and Corrective Maintenance programs and Accident Repairs. Objective is to ensure a robust vehicle maintenance program using current and applicable T.Os and manufactures instructions. Vehicles should always be professional in appearance and available in sufficient quantities to meet Wing Mission needs for daily operations, exercises and deployments. Special focus on critical, priority 1 vehicles.

Performance Measures (Metrics):



Vehicle Availability Rate

Average customer satisfaction survey results

Budget Dollars vs Actual Expenses

% of Mechanics certified

Exercise or deployment delays attributed v

Priority 1 Vehicle Availability Rate

Measure and Manage Performance

Metrics by Function and Subfunction

Fleet Maintenance

- Vehicle availability rate
- % Scheduled vs unscheduled maintenance
- Average maintenance cycle time
- Performance against approved individual development plans
- Safety % of lost time hours to total hours worked
- Critical or Major incidents
- % of maintenance delays due to parts availability

Preventive Maintenance

- % of vehicles exceeding service intervals
- Average maintenance cycle time

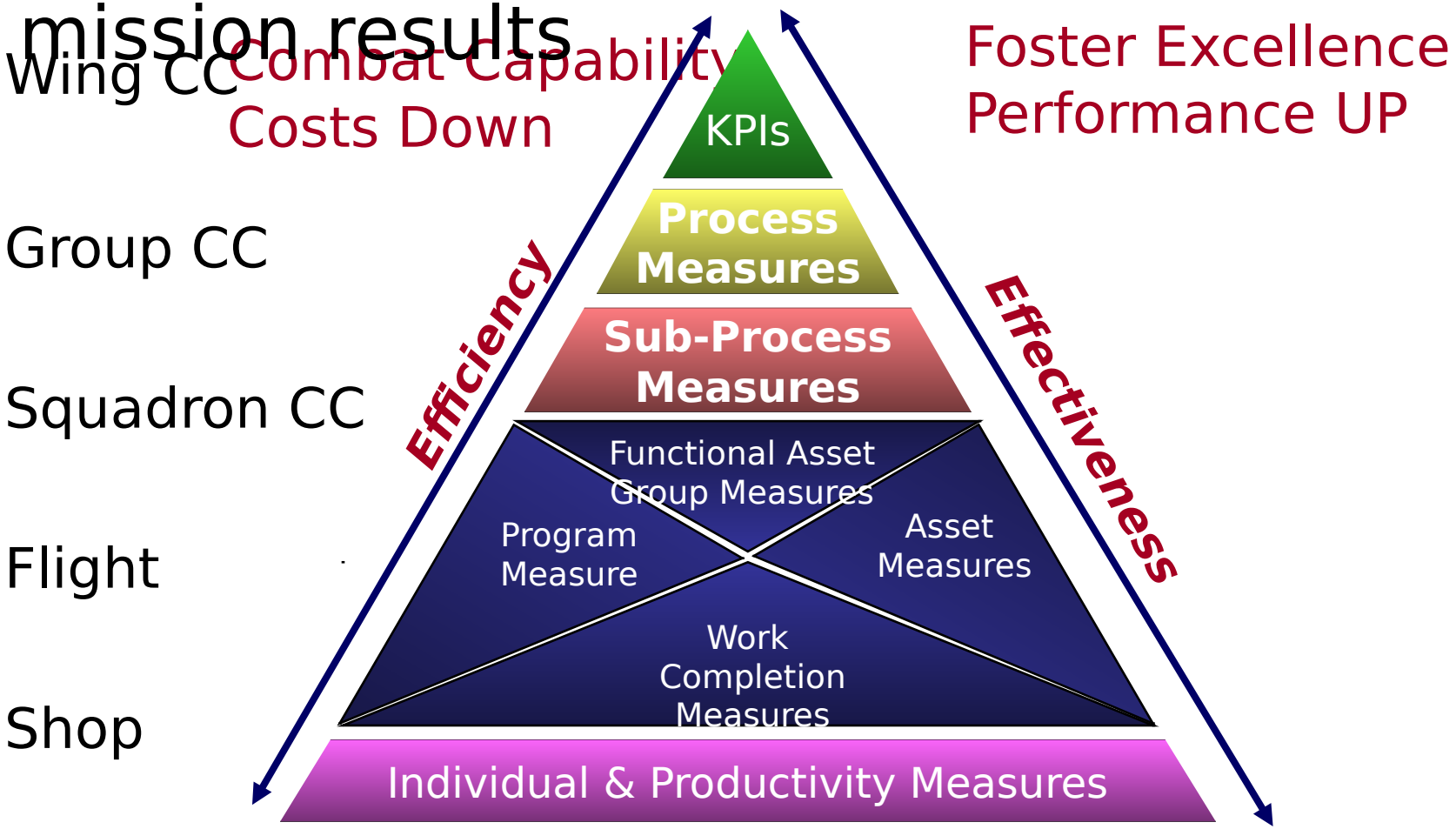
Corrective Maintenance

- % of repaired vehicles returned within 5 days for rework
- Average maintenance cycle time

Accident Repair

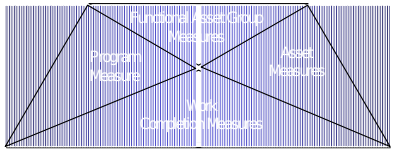
- Recovery(towing) response time
- Average accident repair cycle time

Performance measure information identified at all work strata and ensures alignment of effort on mission results



©2000 UMS Group Inc., All Rights Reserved

Align detail measures with higher level measures and drive down to work activities



Combat Capability

% of Launch Capable LCCs

Equipment Failure Rates

Failure Rate by Equipment Type

Preventative Maintenance Plan Completion

Asset Inspection Replacement Rate, Reinforcement Rate

Asset Improvement Project Schedule Adherence

Problems Identified Before Critical

Balance Scorecard SDS ⇨ QASP